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Syria

COTTON AND PRODUCTS ANNUAL

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Report Highlights:

Syria's 2008/2009 cotton crop is estimated at 700,000 metric tons of seed cotton grown on 175,000 hectares, very similar to the previous crop. Lint production is estimated at 235,000 tons. Total domestic lint consumption for yarn spinning is estimated at 180,000 tons. About 40,000 tons of cotton lint are expected to be exported. In 2009/2010, the Cotton Bureau planned to license planting for 180,000 hectares but the area was recently reduced 157,300 hectares to produce 600,000 MT of seed cotton.

Executive Summary:

Commodities:

Cotton

Production:**Production**

Cotton is planted in the north, east, and central parts of Syria. Only upland cotton is produced in Syria. All cotton is irrigated, and no alternative crop during this period of year provides attractive returns. The major planted varieties are Aleppo 40, which was developed by the Cotton Bureau in Aleppo, in the early eighties, and the more recently developed varieties Aleppo 90, Aleppo 33/1, Aleppo 118, Raqa 5, and Deir-ez-Zor 22. The most common staple is 1 1/32" to 1 1/16". The Cotton Bureau is introducing new varieties especially for drought resistance and high temperature tolerance in certain parts of the country. Cotton is planted in April/May and harvested in September-December. The Cotton Bureau encourages early planting and harvesting by paying a higher price for early deliveries. The government subsidized some costs of production including the price of diesel fuel (which was increased by 257 percent in May 2008), electricity for underground water pumping, and irrigation water. The Syrian government decided to give cotton producers who use diesel fuel to run water pumps for irrigating cotton fields a bonus of 3000 Syrian pounds (63.16 dollars) per dunum for the 2008/09 crop to cover the increase in the cost of production resulting from the diesel fuel price increase. In 2008/2009, cotton lint production is estimated at 235,000 MT produced from 175,000 hectares. Diesel prices were reduced 20 percent in April 2009, but fertilizer prices were increased from 100-357 percent depending on the kind of fertilizer. Cotton procurement price was also increased from 41.50 to 42 SP/KG of seed cotton. The bonus for diesel fuel use for the 2009/10 crop was reduced to 2500 SP (52.63 dollars) per dunum (approximately 1050 m²). Production plan for 2009/2010 calls for planting 157,300 hectares to produce 600,000 MT of seed cotton. Irrigation water availability, low procurement prices, as well as the increase in diesel fuel and fertilizer cost may be the major reasons behind not fulfilling the production plan. The Cotton Marketing Organization (CMO) used to buy about 97 percent of the seed cotton crop in the past. CMO is buying a smaller part of the crop due to the low prices set by the government. This problem will get worse in 2009 if the promised bonus is not paid. The balance of the crop is sold to the owners of private gins. Up to two years ago, farmers used to plant areas in excess of the set plan. Syrian cotton quality is considered to be of a high standard as the entire crop is hand picked. No major incidence of insect or disease infestation was reported in 2008.

The CMO purchased about 665,000 MT of seed cotton from the 2008/2009 crop. In addition to CMO purchases from the farmers, an estimated 35,000 MT of the crop are processed locally by illegal gins instead of being delivered to the government ginneries.

The ending stock level or prevailing international cotton lint prices do not have any impact on the decision of area to be planted to cotton.

Farmers consider the small seed cotton procurement price increase, the huge increase in fertilizer prices, and the reduction of the bonus paid for diesel use for pumps to be discouraging farmers from staying in cotton production.

Consumption:

Consumption

Domestic consumption of cotton from the 2008/2009 season is forecast at 180,000 tons of cotton lint, of which approximately 160,000 MT are consumed by spinning facilities that are monopolized by the public sector. The private sector utilizes approximately 10,000 – 20,000 MT of lint for the production of mattresses, pillows, baby diapers, and other sanitary products.

The government's goal used to be to increase production of cotton yarn and textiles and to increase exports of these products in lieu of cotton lint. The CMO sells cotton lint to the spinners at the international price, which is reset monthly. Without expanding spinning, Syria will have to continue to export a part of its cotton lint production at international prices if the cotton lint production exceeds local market demand. The CMO markets cotton lint. Selling prices of cotton lint, yarn, and textiles are not available.

According to private trade sources, the quality of the cotton yarn produced from the old spinning facilities requires much improvement. Such improvement cannot be achieved with the antiquated spinning facilities belonging to the public sector monopoly. The government established five new modern spinning mills. Syria requires additional new mills to process the cotton lint that is in surplus to the local spinning capacity in normal production years. The private sector is permitted to produce yarn from synthetic fiber. The private sector has been permitted to spin cotton as a part of an integrated industry to produce garments from cotton lint. If the private sector is permitted to spin cotton yarn, local cotton lint consumption will increase and Syria will export high quality cotton yarn instead of cotton lint.

Garments have been permitted to be imported. The private sector produced 97 percent of underwear garments and 99 percent of outer garments in 2006. Production levels in 2007 and 2008 are not yet available but are estimated to be slightly higher than the 2006 level. The role of the private sector is increasing in the clothing production industry. However, it is suffering from the increasing competition from imported clothing (mainly from China), quantities of which are increasing tremendously.

The Syrian textile industry is facing many difficulties, especially competition from the newly permitted to be imported Chinese products, the high cost of production, and the low purchasing power of the average Syrian. Many textile factories are reported to be closing down in Aleppo, the major cotton textile industrial city in North-Syria and in the Damascus area.

Trade:

Trade

Export Trade Matrix			
Syria (1000 480 lb. Bales)			
Time Period: CY			
Exports for:	2006		2007
U.S.	0	U.S.	0

Others		Others	
Turkey	149	Turkey	35
Egypt	105	Spain	52
Japan	15	Italy	7
South Korea	21	Egypt	24
Italy	81	Japan	30
Bangladesh	32	N. Korea	14
China	2	China	13
		Portugal	13
Total for Others	405		188
Others not Listed	231		14
Grand Total	636		202

Source: Summary of Foreign Trade Statistics, 2006 and 2007

Syria does not import any cotton lint. The CMO exports cotton lint in excess of domestic needs. Cotton lint exports usually rank third after petroleum and sheep. Cotton lint exports have been declining over the last few years due to the decrease in cotton production and the increase in spinning capacity. Syria's major export markets for cotton lint are Turkey, Egypt, Japan, Korea, and China. Details about export contracts and actual exports are not available. Syria usually suffers from low international cotton lint prices compared to the local cost of production. The marketing season for cotton lint goes as long as 22 months from the beginning of the harvesting season.

In the past, cotton yarn, textiles, and garments were not permitted to be imported. In early 2006, most of these products were permitted to be imported. In 2006, cotton yarn production is reported at 145,585 MT, 1 percent below the previous year production level. This decrease is mainly due to the decrease in cotton lint production. Yarn exports were reported at 102,000 MT in 2007, significantly below the previous year's level. Permitting imports of textiles and garments will force the Syrian manufacturers to improve quality and try to reduce prices. Small inefficient producers are forced out of business due to the competition of the imported products, which are better in quality and sell at reasonable prices.

Stocks:

In its monthly reports, the CMO usually tries to keep its cotton lint stocks to a minimum, a few thousand tons. However, low international cotton lint prices do not enable the CMO to export all the desired quantities at the desired time. Farmers retain a small portion of the crop for use in local villages or household industries. The CMO bought 95 percent of the 2008/2009 crop; the balance was sold to illegal private ginners. Products from the illegal gins go toward the local production of mattresses and pillows.

Policy:

Marketing:

The CMO monopolizes local seed cotton procurement and ginning. This organization also handles the domestic and export marketing of Syria's cotton lint.

Marketing is undertaken by trade delegations sent at the beginning of the marketing season to Syria's traditional export markets. The CMO also maintains agents abroad.

Production, Supply and Demand Data Statistics:

Cotton Syria	2007 2007/2008			2008 2008/2009		
	Market Year Begin: Aug 2007	Annual Data Displayed	New Post Data	Market Year Begin: Jun 2008	Annual Data Displayed	New Post Data
Area Planted	0	175	193	0	220	190
Area Harvested	200	175	193	170	220	190
Beginning Stocks	319	469	319	294	124	82
Production	1,150	1,080	1,113	950	1,380	1,110
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	1,469	1,549	1,432	1,244	1,504	1,192
Exports	450	575	500	250	600	200
Use	725	850	850	725	850	850
Loss	0	0	0	0	0	0
Total Dom. Cons.	725	850	850	725	850	850
Ending Stocks	294	124	82	269	54	142
Total Distribution	1,469	1,549	1,432	1,244	1,504	1,192
Stock to Use %	25		6	28		14
Yield	1,252.		1,256.	1,217.		1,272.
TS=TD			0			0
Comments						
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Author Defined:

Syria does not import any cotton lint and does not intend to produce extra long staple cotton in the foreseeable future.

The Syrian government does not officially subsidize cotton lint exports. However, the CMO loses money because international prices for cotton lint are below the cost of production.

According to the new customs tariff issued on July 1, 2006, customs duties on cotton yarn are set at one, ten, and 15 percent depending on the quality of the yarn. Customs duties on cotton textiles are a flat rate of 15 percent. Customs duties on synthetic fiber are set at 1-10 percent while duties are set at 10-15 percent on textiles made from synthetic fibers.

A decision has been made in early 2009 to limit imports of Chinese products to direct shipments from China and not to permit such imports from third countries such as the United Arab Emirates.